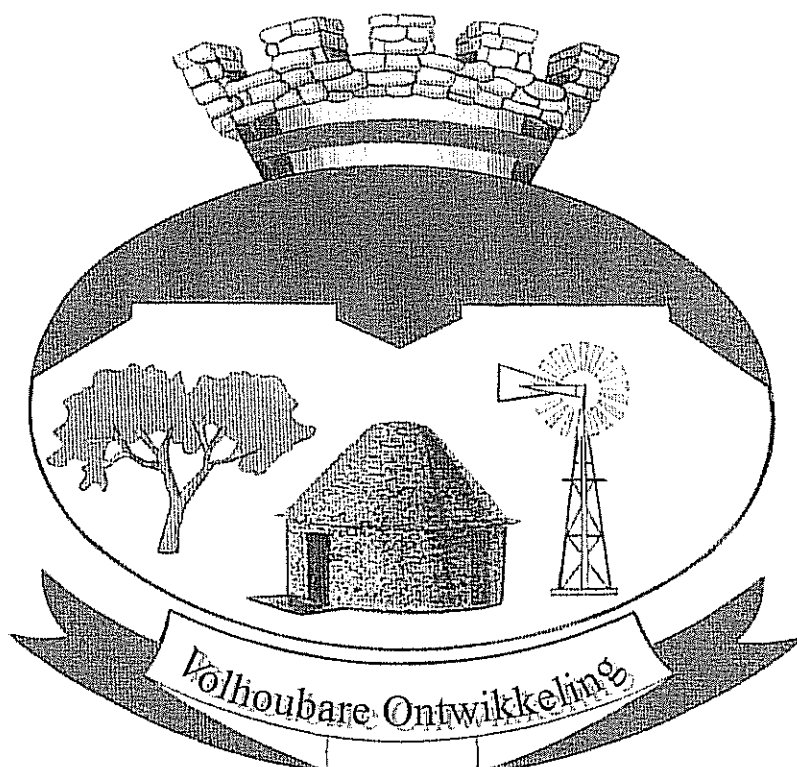


Kareeberg



Municipality

[THESE FINANCIAL STATEMENTS HAVE NOT BEEN AUDITED]

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2013

KAREEBERG LOCAL MUNICIPALITY

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KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Kareeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kareeberg Municipality includes the following geographical areas:

Carnarvon

Vosburg

Vanwyksvlei

MAYOR

Mr N.I. Titus

MUNICIPAL MANAGER

Mr Z.E. Dingile (Acting since 1 June 2012 till 30 November 2012)

Mr W. de Bruin (Since 1 December 2012)

CHIEF FINANCIAL OFFICER

Mr. P.B. Rossouw

REGISTERED OFFICE

Hanau Street,

CARNARVON,

9825

AUDITORS

Office of the Auditor General (NC)

McDougal Street,

Kimberley, 8301

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

G.B. Kempen & De Wet Nel, Victoria Street, Carnarvon

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

SALBC Leave Regulations

KAREEBERG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Kareeberg Local Municipality for the fiscal year 2012/2013

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Kareeberg Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic down turn and the Eskom issues continue to play havoc with good financial management. The Kareeberg economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial departments take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

INDICATOR	30 JUNE 2013	30 JUNE 2012
Surplus / (Deficit) for the year before Appropriations	11 443 100	8 095 621
Accumulated Surplus / (Deficit) at the end of the Year	106 860 502	95 332 234
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	27.71%	25.53%
Remuneration of Councillors	3.97%	3.91%
Debt Impairment	1.09%	0.00%
Depreciation and Amortisation	5.70%	6.42%
Capitalised Restoration Cost Impairment	0.00%	0.11%
Repairs and Maintenance	0.96%	1.66%
Actuarial losses	1.50%	0.19%
Finance Charges	3.06%	1.91%
Bulk Purchases	15.64%	14.54%
Contracted services	0.67%	0.00%
Grants and Subsidies	16.47%	17.21%
Operating Grant Expenditure	12.50%	18.94%
Loss on disposal of Property, Plant and Equipment	0.08%	0.19%
General Expenses	10.65%	9.40%
Current Ratio:		
Creditors Days	22	27
Debtors Days	84	100

One indicator needing comment is that of repairs and maintenance. In recent years there has been made much comments as to how low this ratio is. It should be noted that the ratio stayed on the same level despite the massive increases in Eskom charges.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/2013 R	Actual 2011/2012 R	Percentage Variance %	Budgeted 2012/2013 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	95 332 234	87 207 295	9.32%	-	-
Operating income for the year (incl. gains in disposal of assets)	56 423 486	51 309 760	9.97%	62 177 084	-9.25%
Appropriations for the year	85 169	29 317	190.51%	-	-
	151 840 889	138 546 373	9.60%	62 177 084	
Expenditure:					
Operating expenditure for the year	44 980 386	43 214 139	4.09%	53 903 084	-16.55%
Closing surplus / (deficit)	106 860 502	95 332 234	12.09%	-	-
	151 840 889	138 546 373	9.60%	53 903 084	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 14 499 591 (2011/2012: R 10 246 520), and in percentage terms amounts to 151% of capital budget. Full details of Property, Plant and Equipment are disclosed in note number 10 to the Annual Financial Statements.

The capital expenditure of R 14 499 591 (2012/2013) was financed as follows:

DETAILS	Actual 2012/2013 R	Budgeted 2012/2013 R	Percentage Variance %	Source of funding as % of total Cap exp
Donations	-	-	100.00%	0.00%
Grants and Subsidies	14 437 057	9 574 000	50.79%	99.57%
Own Recourses	62 534	-	100.00%	0.43%
	14 499 591	9 574 000		100.00%

5. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	15 048 308	12 904 491
Provision for Post Retirement Benefits	6 864 006	5 684 943
Provision for Long Service Awards	846 852	729 204
Provision for Rehabilitation of Landfill-sites	7 337 450	6 490 344
	15 048 308	12 904 491

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Notes number 3 and 4 for more detail.

6. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 5	284 119	268 759
Current Employee benefits	Note number 6	1 519 826	1 347 518
Payables from exchange transactions	Note number 7	854 155	877 202
Unspent Conditional Government Grants and Receivables	Note number 8	1 972 611	2 068 028
Taxes	Note number 9	-	-
		4 630 712	4 561 507

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations, as all these liabilities are cashbacked.

Refer to the indicated Note numbers for more detail.

7. INTANGIBLE ASSETS

The net value of Intangible Assets is:

27 339	92 452
---------------	---------------

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 12 for more detail.

8. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

<u>100 853 089</u>	<u>88 879 719</u>
--------------------	-------------------

Refer to Note number 10 for more detail.

9. INVESTMENT PROPERTIES

The net value of Investment Properties is:

<u>10 227 052</u>	<u>10 214 982</u>
-------------------	-------------------

Refer to Note number 11 for more detail.

10. CAPITALISED RESTORATION COST

The net value of Capitalised Restoration Cost is:

<u>1 556 546</u>	<u>1 448 954</u>
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Refer to Note number 14 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables: Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When an employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

<u>51 391</u>	<u>57 003</u>
---------------	---------------

Refer to Note number 15 for more detail.

12. CURRENT ASSETS

Current Assets are made up as follows:

Trade Receivables from exchange transactions	Note number 16	2 092 175	1 982 644
Other Receivables from non-exchange transactions	Note number 17	280	1 350
Operating Lease Asset	Note number 18	22 830	13 797
Current Portion of Long-term Receivables	Note number 15	9 413	9 045
Cash and Cash Equivalents	Note number 19	<u>23 203 491</u>	<u>21 602 265</u>
		<u>25 328 190</u>	<u>23 609 102</u>

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays a major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 8 and 21 as well as Appendix C for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 43

15. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager and Head of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.

Mr. P.B. Rossouw
CHIEF FINANCIAL OFFICER
31 August 2013

KAREEBERG LOCAL MUNICIPALITY

MEMBERS OF THE KAREEBERG LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Mr J.E.J. Hoorn
2	Mr D.P. Jason
3	Ms D. Olifant
4	Mr N. Titus
Proportional	Ms E.L. Riley
Proportional	Mr J. Horne
Proportional	Mr P. Viviers

APPROVAL OF FINANCIAL STATEMENTS


I am responsible for the preparation of these annual financial statements year ended 30 June 2013 , which are set out on pages 1 to 74 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Corporative Governance determination in accordance with this Act.



Mr W. de Bruin
Municipal Manager

31 August 2013

Date

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		118 383 764	106 855 390
Capital Replacement Reserve	2	11 347 812	11 347 812
Housing Development fund	2	35 726	120 895
Revaluation Reserve	2	139 724	54 450
Accumulated Surplus		106 860 502	95 332 234
Non-Current Liabilities		15 048 308	12 904 491
Employee benefits	3	7 710 858	6 414 147
Non-Current Provisions	4	7 337 450	6 490 344
Current Liabilities		4 630 712	4 561 507
Consumer Deposits	5	284 119	268 759
Current Employee benefits	6	1 519 826	1 347 518
Payables from exchange transactions	7	854 155	877 202
Unspent Conditional Government Grants and Receipts	8	1 972 611	2 068 028
Taxes	9	-	-
Total Net Assets and Liabilities		138 062 784	124 321 388
ASSETS			
Non-Current Assets		112 734 594	100 712 286
Property, Plant and Equipment	10	100 853 089	88 879 719
Investment Property	11	10 227 052	10 214 982
Intangible Assets	12	27 339	92 452
Heritage Assets	13	19 176	19 176
Capitalised Restoration Cost	14	1 556 546	1 448 954
Long-Term Receivables	15	51 391	57 003
Current Assets		25 328 190	23 609 102
Trade Receivables from exchange transactions	16	2 092 175	1 982 644
Other Receivables from non-exchange transactions	17	280	1 350
Operating Lease Asset	18	22 830	13 797
Current Portion of Long-term Receivables	15	9 413	9 045
Cash and Cash Equivalents	19	23 203 491	21 602 265
Total Assets		138 062 784	124 321 388

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Actual) R	Correction of Error - Note 34.04 R	2012 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		36 338 454	33 115 766	-	33 115 766
Taxation Revenue		4 318 456	3 878 347	-	3 878 347
Property taxes	20	4 318 456	3 878 347	-	3 878 347
Transfer Revenue		31 998 930	28 860 165	-	28 860 165
Government Grants and Subsidies - Capital	21	14 437 056	10 088 203	-	10 088 203
Government Grants and Subsidies - Operating	21	17 561 874	18 650 665	-	18 650 665
Public Contributions and Donations		-	-	-	-
Contributed PPE		-	121 297	-	121 297
Other Revenue		21 068	377 254	-	377 254
Actuarial Gains		-	339 167	-	339 167
Licences and Permits		6 426	11 202	-	11 202
Unamortised discount - Interest		3 801	4 079	-	4 079
Fines		10 841	22 806	-	22 806
Revenue from Exchange Transactions		20 085 032	18 193 994	(419)	18 194 413
Property Rates - Penalties & Collection Charges		179 936	199 288	-	199 288
Service Charges	22	15 671 908	14 856 392	-	14 856 392
Rental of Facilities and Equipment		504 072	525 547	(419)	525 966
Interest Earned - external investments		1 212 532	925 184	-	925 184
Interest Earned - outstanding debtors		3 323	3 677	-	3 677
Agency Services		127 432	119 540	-	119 540
Other Revenue	23	2 385 828	1 564 367	-	1 564 367
Total Revenue		<u>56 423 486</u>	<u>51 309 760</u>	<u>(419)</u>	<u>51 310 179</u>
EXPENDITURE					
Employee related costs	25	12 463 236	11 033 999	-	11 033 999
Remuneration of Councillors	26	1 784 360	1 687 659	-	1 687 659
Debt Impairment	27	491 255	-	-	-
Depreciation and Amortisation		2 561 814	2 772 475	(4 170)	2 776 645
Capitalised Restoration Cost Impairment		-	48 502	-	48 502
Repairs and Maintenance		433 881	715 358	-	715 358
Actuarial losses	3	676 193	79 983	-	79 983
Finance Charges	28	1 378 120	826 755	-	826 755
Bulk Purchases	29	7 035 969	6 283 489	-	6 283 489
Contracted services		300 506	-	-	-
Grants and Subsidies	30	7 408 903	7 436 334	-	7 436 334
Operating Grant Expenditure	31	5 620 874	8 184 665	-	8 184 665
Loss on disposal of Property, Plant and Equipment		33 933	80 942	(159)	81 101
General Expenses	32	4 791 343	4 063 978	-	4 063 978
Total Expenditure		<u>44 980 386</u>	<u>43 214 139</u>	<u>(4 330)</u>	<u>43 218 469</u>
NET SURPLUS FOR THE YEAR		<u>11 443 100</u>	<u>8 095 621</u>	<u>3 911</u>	<u>8 091 711</u>

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 1 July 2011					
Net Surplus/(Deficit) for the year	54 450	119 570	11 347 812	87 207 295	98 729 127
Correction of error - See Note 34.04	-	-	-	8 091 711	8 091 711
Transfer to Housing Development Fund	-	-	-	3 911	3 911
	-	1 325	-	(1 325)	-
Balance at 30 June 2012	54 450	120 895	11 347 812	95 301 591	106 824 748
Correction of error - See Note 34.03	-	-	-	30 642	30 642
Restated Balance at 1 July 2012	54 450	120 895	11 347 812	95 332 234	106 855 390
Net Surplus/(Deficit) for the year	-	-	-	11 443 100	11 443 100
Revaluation of PPE and CRC (Capitalised Restoration Cost)	85 274	-	-	-	85 274
Transfer to/from Housing Development Fund	-	(85 169)	-	85 169	-
Balance at 30 June 2013	139 724	35 726	11 347 812	106 860 502	118 383 764

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		21 865 844	24 576 205
Government - operating/capital		33 870 952	28 805 445
Interest		1 174 033	886 509
Payments			
Suppliers and employees		(32 096 492)	(35 452 966)
Finance charges	28	(1 378 120)	(826 755)
Transfers and Grants		(7 408 903)	(7 436 334)
Net Cash from Operating Activities		16 027 314	10 552 104
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(14 499 591)	(10 125 223)
Proceeds on Disposal of Fixed Assets		49 098	-
Purchase of Intangible Assets		-	(5 039)
Net Cash from Investing Activities		(14 450 493)	(10 130 263)
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase)/Decrease in Long-term Receivables		9 045	8 692
Increase/(Decrease) in Consumer Deposits		15 360	24 370
Net Cash from Financing Activities		24 405	33 062
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1 601 226	454 903
Cash and Cash Equivalents at the beginning of the year		21 602 265	21 147 362
Cash and Cash Equivalents at the end of the year	36	23 203 491	21 602 265
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1 601 226	454 903

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	283 182	2 032 153	(1 748 971)	No material variance if taking "Cash" and "Call investment deposits" as a net value.
Call investment deposits	22 920 310	21 134 211	1 786 099	No material variance if taking "Cash" and "Call investment deposits" as a net value.
Consumer debtors	1 081 257	3 949 501	(2 868 244)	Bad debts written off and more indigents registered for subsidy.
Other Receivables	1 034 029	10 634	1 023 395	High input VAT claimed for June.
Current portion of long-term receivables	9 413	6 633	2 780	
Inventory	-	-	-	
Total current assets	25 328 150	27 133 132	(1 804 941)	
Non current assets				
Long-term receivables	51 391	47 964	3 427	
Investments	-	-	-	
Investment property	10 227 052	10 227 346	(294)	
Property, plant and equipment	102 409 636	92 248 706	10 160 930	EPWP project was budgeted under operating grant expenditure.
Biological Assets	-	-	-	
Intangible Assets	27 339	155 349	(128 010)	Did not calculate depreciation
Heritage Assets	19 176	-	19 176	
Total non current assets	112 734 594	102 679 365	10 055 229	
TOTAL ASSETS	138 062 784	129 812 497	8 250 288	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	284 119	302 389	(18 270)	
Trade and other payables	2 826 767	1 183 270	1 643 497	Unspent grants and retention fees at yearend.
Provisions and Employee Benefits	1 519 826	-	1 519 826	Budgeted under non current liabilities.
Total current liabilities	4 630 712	1 485 659	3 145 053	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	15 048 308	8 284 407	6 763 901	Provision for Landfill Sites not budgeted for.
Total non current liabilities	15 048 308	8 284 407	6 763 901	
TOTAL LIABILITIES	19 679 020	9 770 066	9 908 954	
NET ASSETS	19 679 020	120 042 431	(100 363 410)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	106 860 502	108 520 599	(1 660 097)	Net effect of reasons listed above.
Reserves	11 523 262	11 521 832	1 430	
TOTAL COMMUNITY WEALTH/EQUITY	118 383 764	120 042 431	(1 658 667)	

KAREBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	2 032 153	-	2 032 153	
Call investment deposits	21 134 211	-	21 134 211	
Consumer debtors	3 949 501	-	3 949 501	
Other Receivables	10 634	-	10 634	
Current portion of long-term receivables	6 633	-	6 633	
Inventory	-	-	-	
Total current assets	27 133 132	-	27 133 132	
Non current assets				
Long-term receivables	47 964	-	47 964	
Investments	-	-	-	
Investment property	10 227 346	-	10 227 346	
Property, plant and equipment	92 248 705	-	92 248 705	
Biological Assets	-	-	-	
Intangible Assets	155 349	-	155 349	
Heritage Assets	-	-	-	
Total non current assets	102 679 365	-	102 679 365	
TOTAL ASSETS	129 812 497	-	129 812 497	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	302 389	-	302 389	
Trade and other payables	1 183 270	-	1 183 270	
Provisions and Employee Benefits	-	-	-	
Total current liabilities	1 485 659	-	1 485 659	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	8 284 407	-	8 284 407	
Total non current liabilities	8 284 407	-	8 284 407	
TOTAL LIABILITIES	9 770 066	-	9 770 066	
NET ASSETS	120 042 431	-	120 042 431	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	108 520 599	-	108 520 599	
Reserves	11 521 832	-	11 521 832	
TOTAL COMMUNITY WEALTH/EQUITY	120 042 431	-	120 042 431	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
Property rates	4 318 456	4 526 502	(208 046)	No interim valuation done
Property rates - penalties & collection charges	179 936	190 000	(10 064)	
Service charges	15 671 908	16 133 602	(461 694)	Less consumption of water, electricity and sewerage.
Rental of facilities and equipment	504 072	410 674	93 398	
Interest earned - external investments	1 212 532	1 297 000	(84 468)	
Interest earned - outstanding debtors	3 323	3 300	23	
Dividends received	-	-	-	
Fines	10 841	12 230	(1 389)	
Licences and permits	6 426	7 420	(994)	
Agency services	127 432	97 000	30 432	
Government Grants and Subsidies - Operating	17 561 874	27 306 000	(9 744 126)	EPWP project was budgeted under operating grant expenditure.
Other revenue	2 389 629	2 619 356	(229 727)	Less revenue than anticipated
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	41 986 429	52 603 084	(10 616 655)	
EXPENDITURE BY TYPE				
Employee related costs	12 463 236	12 729 972	(266 736)	Less expenditure due to new appointment
Remuneration of councillors	1 784 360	1 880 988	(96 628)	
Debt impairment	491 255	225 000	266 255	Lower payment percentage than anticipated
Depreciation & asset impairment	2 561 814	3 135 177	(573 363)	Remaining useful life adjusted during verification of assets.
Finance charges	1 378 120	-	1 378 120	Increase of Provision of Landfill site and Employee Benefits.
Bulk purchases	7 035 959	7 250 035	(214 086)	Lower consumption than anticipated
Other materials	-	417 200	(417 200)	Re-allocated under other expenditure
Contracted services	300 506	478 479	(177 973)	Less expenditure than anticipated
Grants and subsidies paid	7 408 903	7 168 903	240 000	More indigent subsidy paid
Other expenditure	11 522 291	20 615 330	(9 093 039)	EPWP project was budgeted under operating grant expenditure.
Loss on disposal of PPE	33 933	2 000	31 933	
Total Operating Expenditure	44 980 386	53 903 084	(8 922 698)	
Operating Deficit for the year	(2 993 957)	(1 300 000)	(1 693 957)	
Government Grants and Subsidies - Capital	14 437 056	9 674 000	4 863 056	EPWP project was budgeted under operating grant expenditure.
Net Surplus for the year	11 443 100	8 274 000	3 169 100	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	4 526 502	-	4 526 502	
Property rates - penalties & collection charges	190 000	-	190 000	
Service charges	16 133 602	-	16 133 602	
Rental of facilities and equipment	410 674	-	410 674	
Interest earned - external investments	1 297 000	-	1 297 000	
Interest earned - outstanding debtors	3 300	-	3 300	
Dividends received	-	-	-	
Fines	12 230	-	12 230	
Licences and permits	7 420	-	7 420	
Agency services	97 000	-	97 000	
Government Grants and Subsidies - Operating	15 906 000	11 400 000	27 306 000	Additional EPWP and Housing grants allocated.
Other revenue	1 119 356	1 500 000	2 619 356	Additional grant VAT received as other income.
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	39 703 064	12 900 000	52 603 064	
EXPENDITURE BY TYPE				
Employee related costs	11 979 972	750 000	12 729 972	Implementation of Task.
Remuneration of councillors	1 880 988	-	1 880 988	
Debt impairment	225 000	-	225 000	
Depreciation & asset impairment	3 135 177	-	3 135 177	
Finance charges	-	-	-	
Bulk purchases	7 000 035	250 000	7 250 035	Anticipated a higher consumption
Other materials	379 200	38 000	417 200	
Contracted services	428 479	50 000	478 479	
Grants and subsidies paid	7 168 903	-	7 168 903	
Other expenditure	8 803 330	11 812 000	20 615 330	Additional EPWP and Housing grants allocated.
Loss on disposal of PPE	2 000	-	2 000	
Total Operating Expenditure	41 003 084	12 900 000	53 903 084	
Operating Surplus/(Deficit) for the year	(1 300 000)	-	(1 300 000)	
Government Grants and Subsidies - Capital	9 574 000	-	9 574 000	
Net Surplus/(Deficit) for the year	8 274 000	-	8 274 000	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	21 865 844	22 601 643	(735 800)	Less consumption of water, electricity and sewerage.
Government - operating/capital	33 870 952	36 880 000	(3 009 048)	EPWP project was budgeted under operating grant expenditure.
Interest	1 174 033	1 300 300	(126 267)	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(32 096 492)	(31 604 609)	(491 883)	Actuarial losses
Finance charges	(1 378 120)	-	(1 378 120)	Increase of Provision of Landfill site and Employee Benefits.
Transfers and Grants	(7 408 903)	(18 568 903)	11 160 000	EPWP project was budgeted under operating grant expenditure.
NET CASH FROM/(USED) OPERATING ACTIVITIES	16 027 314	10 608 431	5 418 883	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	49 098	-	49 098	
Decrease/(increase) in non-current receivables	9 045	-	9 045	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(14 499 591)	(9 574 000)	(4 925 591)	EPWP project was budgeted under operating grant expenditure.
NET CASH FROM/(USED) INVESTING ACTIVITIES	(14 441 448)	(9 574 000)	(4 867 448)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	15 360	29 000	(13 640)	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	15 360	29 000	(13 640)	
NET INCREASE/(DECREASE) IN CASH HELD	1 601 226	1 063 431	537 795	More cash received from services and rates than anticipated
Cash and Cash Equivalents at the beginning of the year	21 602 265	22 084 900	(482 635)	
Cash and Cash Equivalents at the end of the year	23 203 491	23 166 363	37 129	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	21 101 543	1 500 000	22 601 543	Additional grant VAT received as other income.
Government - operating	15 906 000	11 400 000	27 306 000	Additional EPWP and Housing grants allocated.
Government - capital	9 574 000	-	9 574 000	
Interest	1 300 300	-	1 300 300	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(30 104 609)	(1 500 000)	(31 604 609)	Implementation of TASK.
Finance charges	-	-	-	
Transfers and Grants	(7 169 903)	(11 400 000)	(18 569 903)	Additional EPWP and Housing grants allocated.
NET CASH FROM/(USED) OPERATING ACTIVITIES	10 608 431	-	10 608 431	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	8 032	-	8 032	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(9 574 000)	-	(9 574 000)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(9 565 568)	-	(9 565 568)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	29 000	-	29 000	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	29 000	-	29 000	
NET INCREASE/(DECREASE) IN CASH HELD	1 071 463	-	1 071 463	
Cash and Cash Equivalents at the beginning of the year	22 094 900	-	22 094 900	
Cash and Cash Equivalents at the end of the year	23 166 363	-	23 166 363	

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown
GRAP 7 (Revised – Mar 2012)	Investments in Associate This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does have any interest in associates.	1 April 2013

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

<p>GRAP 8 (Revised – Nov 2010)</p>	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<p>Unknown</p>
<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<p>Unknown</p>
<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>
<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such</p>	<p>Unknown</p>

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	transactions or events are expected in the foreseeable future.	
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.9.3 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable where applicable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1. Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.3. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total salary of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.13.4. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal entities' performance bonus provisions are based on the performance contract stipulations as well as previous performance bonus payment trends.

1.13.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.14.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.14.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	4-70	Buildings	30
Refuse	20-40	Specialist vehicles	3-30
Electricity	5-50	Other vehicles	5-30
Water	3-100	Office equipment	3-30
Sewerage	3-100	Furniture and fittings	3-30
Housing	10-50	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-30
Recreational Facilities	30	Other plant and	

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Security	30	Equipment	3-30
Halls	30	Landfill sites	3-50
Libraries	30	Quarries	25
Parks and gardens	30	Emergency equipment	5-20
Other assets	10-30	Computer equipment	3-10
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.14.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

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The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3-5
Computer Software Licenses	5-10

1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.17 HERITAGE ASSETS

1.17.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.17.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.17.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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1.17.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

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(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

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recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the

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asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The

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subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash

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on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.21.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3 *De-recognition of Financial Instruments*

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE

1.22.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 2 to 3 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the accounting officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All managers or council of the Municipality, being the Mayor and members of the Council.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.28.1 *Post retirement medical obligations and long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.28.3 *Property, Plant and Equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- cost of items with a similar nature currently in the Municipality's asset register;
 - cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
 - cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.28.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.28.7 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.28.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to Council approval.

1.28.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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NET ASSET RESERVES

RESERVES

Capital Replacement Reserve

Housing Development fund

Revaluation Reserve

Total Net Asset Reserves

2013
R

2012
R

11 523 262

11 523 157

11 347 812

35 726

120 895

139 724

54 450

11 523 262

11 523 157

2013
R

2012
R

3

EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 3.1

Long Service Awards - Refer to Note 3.2

Total Non-current Employee Benefit Liabilities

5 864 006

846 852

7 710 858

5 684 943

729 204

6 414 147

Post Retirement Benefits

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial Loss/(Gain)

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 6

Balance 30 June

5 805 039

727 635

(125 983)

589 183

5 995 874

(131 866)

6 864 006

5 592 057

690 904

(138 755)

(339 167)

5 805 039

(120 096)

5 684 943

Long Service Awards

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial Loss

Total long service awards 30 June

Less: Transfer of Current Portion - Note 6

Balance 30 June

782 568

121 441

(51 190)

87 009

939 828

(92 976)

846 852

658 760

144 133

(100 308)

79 983

782 568

(53 364)

729 204

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial Loss/(Gain)

Total employee benefits 30 June

Less: Transfer of Current Portion - Note 6

Balance 30 June

6 587 607

849 076

(177 174)

676 193

7 935 702

(224 844)

7 710 858

6 250 817

835 037

(239 063)

(259 184)

6 587 607

(173 460)

6 414 147

3.1

Post Retirement Benefits

2013
R

2012
R

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members

Continuation members (e.g. Retirees, widows, orphans)

Total Members

15

4

19

15

4

19

The liability in respect of past service has been estimated to be as follows:

In-service members

Continuation members

Total Liability

5 749 138

1 246 736

6 995 874

4 635 740

1 169 299

5 805 039

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

2011
R

2010
R

2009
R

In-service members

Continuation members

Total Liability

4 037 568

1 554 489

5 592 057

2 874 179

1 426 315

4 300 494

2 076 250

1 215 224

3 291 474

Experience adjustments were calculated as follows:

2013
Rm

2012
Rm

Liabilities: (Gain) / loss

Assets: Gain / (loss)

0.280

-

(0.591)

-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

2011
Rm

2010
Rm

2009
Rm

Liabilities: (Gain) / loss

Assets: Gain / (loss)

0.508

-

0.994

-

-

-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Hosmed

LA Health

The Municipality's Accrued Unfunded Liability at 30 June 2013 is estimated at R6.996 million. The Current-service Cost for the year ending 30 June 2013 is estimated at R245.693. It is estimated to be R298.541 for the ensuing year.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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EMPLOYEE BENEFITS (CONTINUE)

Key actuarial assumptions used:

i) Rate of Interest

Discount rate	8.68%	8.39%
Health Care Cost Inflation Rate	8.04%	7.42%
Net Effective Discount Rate	0.60%	0.90%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age of employees is 65 for Males and 60 for females. It has been assumed that male in-service members will retire at age 64 and female in-service members retire at 59, which then allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

	2013 R	2012 R
Present value of fund obligations	6 995 874	5 805 039
Total Liability	6 995 874	5 805 039

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	5 805 039	5 592 057
Total expenses	607 539	514 708
Current service cost	245 693	219 664
Interest Cost	481 942	471 240
Benefits Paid	(120 096)	(176 196)
Actuarial (gains)/losses	583 296	(301 726)
Present value of fund obligation at the end of the year	6 995 874	5 805 039
Less: Transfer of Current Portion - Note 6	(131 858)	(120 096)
Balance 30 June	6 864 006	5 684 943

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	5.749	1.247	6.996

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	6.710	1.336	8.046	15%
Health care inflation	-1%	4.958	1.166	6.124	-12%
Post-retirement mortality	-1 year	5.962	1.313	7.275	4%
Average retirement age	-1 year	6.270	1.247	7.516	7%
Withdrawal Rate	-50%	5.856	1.247	7.103	2%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		245 700	481 900	727 600	
Health care inflation	1%	294 500	556 500	851 000	17%
Health care inflation	-1%	206 400	420 300	626 700	-14%
Post-retirement mortality	-1 year	254 300	500 900	755 200	4%
Average retirement age	-1 year	274 100	516 700	790 800	9%
Withdrawal Rate	-50%	256 500	490 700	747 200	3%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 61 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2013 is R 72,369. The Current-service Cost for the ensuing year has been estimated to be R 99,909.

Key actuarial assumptions used:

i) Rate of Interest

Discount rate	6.68%	6.42%
General Salary Inflation (long-term)	6.95%	6.29%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	-0.26%	0.18%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Experience adjustments were calculated as follows:

	2013 R	2012 R
Liabilities: (Gain) / loss	67 707	26 420
Assets: Gain / (loss)	-	-

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3

EMPLOYEE BENEFITS (CONTINUE)

The amounts recognised in the Statement of Financial Position are as follows:

	2013 R	2012 R
Present value of fund obligations	939 828	782 568
Net liability/(asset)	939 828	782 568

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	782 568	658 760
Total expenses	68 077	44 960
Current service cost	72 369	97 682
Interest Cost	49 072	46 451
Benefits Paid	(53 354)	(99 173)
Actuarial losses	89 163	78 848
Present value of fund obligation at the end of the year	939 828	782 568
Less: Transfer of Current Portion - Note 6	(92 976)	(53 364)
Balance 30 June	846 852	729 204

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0.940	
General salary inflation	1%	0.991	5%
General salary inflation	-1%	0.893	-5%
Average retirement age	-2 yrs	0.684	-27%
Average retirement age	2 yrs	1.002	7%
Withdrawal rates	-50%	1.027	9%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		72 400	49 100	121 500	
General salary inflation	1%	75 700	52 000	127 700	5%
General salary inflation	-1%	69 300	46 400	115 700	-5%
Average retirement age	-2 yrs	60 400	35 800	96 200	-21%
Average retirement age	2 yrs	75 700	52 200	127 900	5%
Withdrawal rates	-50%	80 800	54 200	135 000	11%

3.3

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.9% (30 June 2011 - 100.3%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% or 23.06% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.40% (30 June 2011 - 98.10%). Whilst this has increased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 96.1% funding level.

Contributions paid recognised in the Statement of Financial Performance

	2013 R	2012 R
	1 079 977	881 935

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	7 337 450	6 490 344
Total Non-current Provisions	7 337 450	6 490 344
<u>Landfill Sites</u>		
Balance 1 July	6 490 344	6 181 280
Contribution for the year	847 106	309 064
Total provision 30 June	7 337 450	6 490 344
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	7 337 450	6 490 344
The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction		
	<u>Camaron</u>	<u>Vosburg</u> <u>Vanwyksvlei</u>
Area (m ²)	31 900	11 200 2 100
Topsoil (m ³)	31 900	11 200 2 100
Stormwater Cut off drain (m)	420	620 95
Deep seated cut off drain, 2m deep (m)	410	- 110
Fence (m)	810	- -
The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:		
<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation</u>
		2013 R
Camaron	2035	9 292 039
Vanwyksvlei	2022	2 011 181
Vosburg	2037	3 877 040
		15 180 260
	2013 R	2012 R
5 CONSUMER DEPOSITS		
Water & Electricity	284 119	288 759
Total Consumer Deposits	284 119	288 759
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
	2013 R	2012 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	131 868	120 096
Current Portion of Long-Service Provisions - Note 3	92 976	53 364
Provision for Performance Bonuses	126 737	198 340
Provision for Annual Bonuses	215 213	198 827
Provision for Staff Leave	953 032	776 890
Total Current Employee Benefits	1 519 826	1 347 516
The movement in current employee benefits are reconciled as follows:		
<u>Current Portion of Post Retirement Benefits - Note 3</u>		
Balance at beginning of year	120 096	176 196
Transfer from non-current	137 755	82 655
Expenditure incurred	(125 983)	(138 755)
Balance at end of year	131 868	120 096
<u>Current Portion of Long-Service Provisions - Note 3</u>		
Balance at beginning of year	53 364	99 173
Transfer from non-current	90 802	54 499
Expenditure incurred	(51 190)	(100 308)
Balance at end of year	92 976	53 364

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
6 CURRENT EMPLOYEE BENEFITS (CONTINUE)		
<u><i>Provision for Performance Bonuses</i></u>		
Balance at beginning of year	198 340	160 818
Contribution to current portion	90 279	208 050
Expenditure incurred	(161 682)	(170 528)
Balance at end of year	<u>126 737</u>	<u>198 340</u>
Performance bonuses are being paid to Municipal Manager and Managers after an evaluation of performance by the council. There is no possibility of reimbursement.		
<u><i>Provision for Staff Leave</i></u>		
Balance at beginning of year	776 890	715 082
Contribution to current portion	378 802	251 588
Expenditure incurred	(202 660)	(189 779)
Balance at end of year	<u>953 032</u>	<u>776 890</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.		
<u><i>Provision for Annual Bonuses</i></u>		
Balance at beginning of year	198 827	179 265
Contribution to current portion	16 386	19 563
Balance at end of year	<u>215 213</u>	<u>198 827</u>
Annual bonuses are being paid to Municipal personnel after one full year's service. There is no possibility of reimbursement.		
7 PAYABLES FROM EXCHANGE TRANSACTIONS	2013 R	2012 R
Trade Payables	666 515	705 466
Payments received in advance	185 495	169 655
Other Payables	2 145	2 081
Total Trade Payables	<u>854 155</u>	<u>877 202</u>
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. Payables are being recognised net of any discounts.		
8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2013 R	2012 R
Unspent Grants	1 972 611	2 068 028
National and Provincial Government Grants	<u>1 972 611</u>	<u>2 068 028</u>
Total Conditional Grants and Receipts	<u>1 972 611</u>	<u>2 068 028</u>
The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
9 TAXES	2013 R	2012 R
VAT Payable	-	-
Less: Contribution to provision for impairment of trade receivables from exchange transactions	-	-
	<u>-</u>	<u>-</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost WIP R	Disposals/Transfers R	Closing Balance R	Opening Balance R	Accumulated Depreciation Depreciation Charge R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings										
Land	31 152 083	-	-	24 400	31 127 683	558 317	77 315	-	635 632	30 492 051
Balance previously reported	28 533 400	-	-	24 400	28 509 000	-	-	-	-	28 509 000
Transfer to Investment Properties	28 533 400	-	-	-	28 533 400	-	-	-	-	28 533 400
Buildings	2 618 683	-	-	24 400	-24 400	558 317	77 315	-	635 632	1 983 051
Infrastructure										
Electricity	59 026 990	8 681 386	5 404 919	-	73 113 295	6 077 037	1 951 111	-	8 028 148	65 085 147
Road Transport	4 330 597	1 029 680	-	-	5 360 278	350 927	186 138	-	539 065	4 821 212
Sanitation	19 394 583	7 340 067	5 404 919	-	32 139 570	1 758 483	523 688	-	2 282 171	29 857 388
Solid Waste Disposal	19 533 757	-	-	-	19 533 757	1 843 337	674 008	-	2 517 345	17 016 412
Stormwater	1 377 431	-	-	-	1 377 431	92 345	62 052	-	154 397	1 223 035
Water Supply	478 365	-	-	-	478 365	50 101	31 439	-	81 540	396 845
	13 912 236	311 538	-	-	14 223 874	1 981 844	471 785	-	2 453 630	11 770 244
Community Assets										
Recreation Grounds	3 929 611	59 783	-	-	3 989 393	1 003 629	108 843	-	1 112 472	2 876 921
Civil Buildings	1 277 432	-	-	-	1 277 432	407 077	30 012	-	437 089	840 343
Cemetry	651 277	-	-	-	651 277	251 675	13 772	-	265 647	385 630
Museum	18 000	-	-	-	18 000	2 938	519	-	3 457	14 543
Clinic	450 000	-	-	-	450 000	73 448	12 985	-	86 433	363 567
Libraries	451 000	-	-	-	451 000	73 611	13 013	-	86 625	364 375
Parks & Gardens	834 384	59 783	-	-	894 167	129 402	24 310	-	153 711	740 455
Public Conveniences/Bathhouses	41 070	-	-	-	41 070	21 241	684	-	21 924	19 146
	205 447	-	-	-	205 447	44 038	13 547	-	57 585	148 862
Other Assets										
Motor Vehicles	6 152 638	353 503	-	164 049	6 342 292	3 742 819	281 520	81 018	3 943 322	2 398 970
Plant & Equipment	2 529 396	165 287	-	40 506	2 654 178	1 627 679	153 738	36 440	1 744 976	909 201
Office Equipment	933 958	103 545	-	30 713	1 005 790	635 407	31 334	27 086	639 653	367 137
Furniture & Fittings	521 150	12 502	-	722	532 929	289 991	21 807	536	317 262	215 668
Fire Engines	887 196	27 019	-	8 104	916 111	515 484	26 464	6 411	535 537	380 574
Computer Equipment	16 685	-	-	-	16 685	10 959	520	-	11 489	5 196
Refuse Tankers	512 353	-	-	12 854	499 498	222 505	27 462	10 542	239 425	260 074
Game	548 766	-	-	-	548 766	434 785	20 195	-	454 980	94 785
	192 334	45 150	-	71 150	166 334	-	-	-	-	166 334
	100 261 521	9 094 671	5 404 919	188 449	114 572 663	11 381 803	2 416 789	81 018	13 719 574	100 853 089

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Operating Balance R	Additions R	Cost WIP R	Disposals/Transfers R	Closing Balance R	Opening Balance R	Accumulated Depreciation Depreciation Charge R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	31 112 972	113 611	-	74 500	31 152 083	481 255	77 330	-	558 585	30 593 498
Land	28 607 900	-	-	74 500	28 533 400	-	-	-	-	28 533 400
Balance previously reported	28 583 500	-	-	74 500	28 509 000	-	-	-	-	28 509 000
Correction of Error - Note 34.02	24 400	-	-	-	24 400	-	-	-	-	24 400
Buildings	2 505 072	113 611	-	-	2 618 683	481 255	77 330	-	558 585	2 060 098
Infrastructure	49 147 492	2 915 711	6 963 787	-	59 026 990	4 122 535	1 961 192	-	6 083 727	52 943 263
Electricity	4 330 597	-	-	-	4 330 597	152 895	156 675	-	351 570	3 979 028
Road Transport	12 048 294	2 637 574	4 708 714	-	19 394 583	1 261 400	498 720	-	1 760 120	17 634 463
Sanitation	17 266 223	12 461	2 255 072	-	19 533 757	1 175 640	670 249	-	1 845 889	17 687 868
Solid Waste Disposal	1 377 431	-	-	-	1 377 431	26 919	65 623	-	92 542	1 284 890
Stormwater	212 709	265 676	-	-	478 385	28 502	20 950	-	49 452	428 933
Water Supply	13 912 236	-	-	-	13 912 236	1 477 179	506 975	-	1 984 153	11 928 083
Community Assets	3 808 314	121 297	-	-	3 929 611	904 081	100 420	-	1 004 501	2 925 109
Recreation Grounds	1 277 432	-	-	-	1 277 432	376 250	31 160	-	407 411	870 021
Civil Buildings	651 277	-	-	-	651 277	237 773	14 298	-	252 071	399 206
Cemetery	18 000	-	-	-	18 000	2 402	539	-	2 941	15 059
Museum	450 000	-	-	-	450 000	60 041	13 484	-	73 525	376 475
Clinic	451 000	-	-	-	451 000	60 175	13 514	-	73 688	377 312
Libraries	634 364	-	-	-	634 364	104 295	25 244	-	129 540	704 844
Parks & Gardens	41 070	-	-	-	41 070	20 546	710	-	21 256	19 814
Public Conveniences/Bathhouses	85 150	121 297	-	-	206 447	42 599	1 471	-	44 070	162 377
Heritage Assets	19 176	-	-	19 176	-	-	-	-	-	-
Historical Buildings	4 900	-	-	-	4 900	-	-	-	-	4 900
Vehicles	10 000	-	-	-	10 000	-	-	-	-	10 000
Furniture & Fittings	4 276	-	-	-	4 276	-	-	-	-	4 276
Change in Accounting Policy - Note 33.01	-	-	-	19 176	-19 176	-	-	-	-	-19 176
Other Assets	6 332 942	132 114	-	312 218	6 152 838	3 613 742	438 169	306 349	3 745 562	2 407 276
Motor Vehicles	2 533 586	-	-	4 190	2 529 396	1 423 939	203 289	4 190	1 629 039	900 358
Plant & Equipment	1 057 919	394	-	124 354	933 958	683 580	76 641	124 354	635 867	298 091
Office Equipment	532 118	23 900	-	34 868	521 150	300 062	30 972	34 868	286 165	224 984
Furniture & Fittings	921 045	48 967	-	72 816	897 196	539 939	48 504	72 816	515 794	381 402
Fire Engines	16 685	-	-	-	16 685	10 341	636	-	10 977	5 708
Computer Equipment	550 239	32 404	-	70 290	512 353	252 661	40 266	70 290	222 640	289 713
Refuse Tankers	549 766	-	-	-	549 766	403 220	31 860	-	435 080	114 666
Game	171 584	26 450	-	5 700	192 334	-	-	-	-	192 334
	90 420 896	3 282 734	6 963 787	405 894	100 261 521	9 121 613	2 577 111	306 349	11 382 375	98 869 147
Correction of Error - Note 34.02	-	-	-	-	-	-6 242	-4 170	159	-10 572	10 572
	90 420 896	3 282 734	6 963 787	405 894	100 261 521	9 115 371	2 572 941	306 509	11 381 803	98 879 719

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Assets pledged as security:		
No assets are pledged as security.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	-	-
Surplus/Deficit	-	-
Impairment of property plant and equipment		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	-
Infrastructure	-	-
Other	-	-
Effect of changes in accounting estimates		
The effect of a change in accounting estimate will have on the current period and subsequent periods:		
	2013 R	2014 R
Effect on Property, plant and equipment	(50 484)	(337 563)
		2015 R
		(281 889)
11 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	10 214 982	10 227 346
Cost	10 276 700	10 276 700
Accumulated Depreciation	(61 718)	(49 354)
Depreciation for the year	(12 330)	(12 364)
Transfers from Property, Plant and equipment	24 400	-
Net Carrying amount at 30 June	10 227 052	10 214 982
Cost	10 301 100	10 276 700
Accumulated Depreciation	(74 048)	(61 718)
Fair value of these investment property is R10 301 100 and expenditure of R5 018 was identified on these investment properties.		
Revenue derived from the rental of investment property	448 536	546 185
Operating expenditure incurred on properties generating revenue	5 018	13 344
Operating expenditure incurred on properties not generating revenue	-	-
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs and maintenance or enhancements.		
Estimated Fair Value of Investment Property at 30 June	10 301 100	10 276 700
Fair value was determined by valuation roll.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
12 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	92 452	155 349
Cost	197 355	200 798
Accumulated Amortisation	(104 903)	(45 449)
Acquisitions	-	5 039
Disposals	-	(733)
Amortisation	(65 113)	(67 203)
Net Carrying amount at 30 June	27 339	92 452
Cost	197 355	197 355
Accumulated Amortisation	(170 016)	(104 903)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2013 R	2012 R
VIP Salary System	1	585	5 666
Capman Personal System	1	23 014	81 347
MS Office	1 - 4	3 741	5 438

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

	2013 R	2012 R
13 HERITAGE ASSETS		
Net Carrying amount at 1 July	19 176	19 176
Balance previously disclosed	-	-
Change in Accounting Policy - Note 33.01	-	19 176
Net Carrying amount at 30 June	19 176	19 176
Cost	19 176	19 176

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

Third party payments received for losses and impairments incurred:

Payments received (Excluding VAT)	-	-
Carrying value of assets written off/lost/impairment	-	-
Surplus/Deficit	-	-

	2013 R	2012 R
14 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	1 448 954	1 617 423
Cost	3 155 514	3 155 514
Accumulated Depreciation	(1 618 659)	(1 498 683)
Accumulated Impairments	(67 900)	(39 398)
Depreciation for the year	(65 582)	(119 967)
Impairment	173 175	(48 502)
Net Carrying amount at 30 June	1 556 546	1 448 954
Cost	3 155 514	3 155 514
Accumulated Depreciation	(1 684 242)	(1 618 659)
Revaluation	85 274	-
Accumulated Impairments	-	(67 900)

	2013 R	2012 R
15 LONG TERM RECEIVABLES		
Officials' Housing Loans - At amortised cost	77 921	86 967
Less: Unamortised Discount on Loans	(17 117)	(20 918)
Balance 1 July	(20 918)	(24 997)
Adjustment for the period	3 801	4 079
	60 604	66 048
Less: Current portion transferred to current receivables	(9 413)	(9 045)
Officials Housing Loans - At amortised cost	(9 413)	(9 045)
Less: Provision for Impairment of Long Term Receivables	51 391	57 003
Total Long Term Receivables	51 391	57 003

STAFF HOUSING LOANS

Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When a employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16

RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2013 R	2012 R
Service Receivables		
Water	440 836	206 328
Electricity	589 074	825 517
Refuse	220 462	621 955
Sewerage	169 894	270 511
Payments received in advance	185 495	169 855
Total Service Receivables	1 605 762	2 093 966
Less: Provision for Impairment	(524 505)	(1 145 851)
Net Service Receivables	1 081 257	948 114
Other Receivables		
Sundry Receivables	815 580	867 261
Rentals	243 156	248 365
VAT	339 393	522 942
Payments received in advance	919	855
Total Other Receivables	1 399 048	1 639 423
Less: Provision for Impairment	(175 932)	(248 365)
Less: Contribution to provision for VAT impairment of trade receivables from exchange transactions	(212 197)	(356 529)
Net Other Receivables	1 010 919	1 034 529
Total Net Receivables from Exchange Transactions	2 092 175	1 982 644
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	423 453	770 179
31 - 60 Days	37 342	12 881
61 - 90 Days	17 997	12 454
+ 90 Days	110 283	30 003
Total	589 074	825 517
(Water): Ageing		
Current (0 - 30 days)	330 383	182 548
31 - 60 Days	17 207	13 942
61 - 90 Days	31 326	21
+ 90 Days	61 920	9 817
Total	440 836	206 328
(Refuse): Ageing		
Current (0 - 30 days)	91 755	190 496
31 - 60 Days	7 531	228 277
61 - 90 Days	45 398	181 371
+ 90 Days	75 778	21 811
Total	220 462	621 955
(Sewerage): Ageing		
Current (0 - 30 days)	50 171	139 875
31 - 60 Days	27 820	87 097
61 - 90 Days	20 599	19 184
+ 90 Days	71 303	24 355
Total	169 894	270 511
(Sundry Receivables): Ageing		
Current (0 - 30 days)	815 580	867 261
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
Total	815 580	867 261
(VAT): Ageing		
Current (0 - 30 days)	127 196	166 413
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	212 197	356 529
Total	339 393	522 942
(Rentals): Ageing		
Current (0 - 30 days)	68 143	-
31 - 60 Days	175 932	-
61 - 90 Days	-	-
+ 90 Days	-	248 365
Total	244 075	248 365

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		2013 R	2012 R	
<i>Service Receivables</i>				
Rates		1 764 874	1 621 785	
Other Receivables		280	1 350	
Accrued Fines		280	1 350	
Total Service Receivables		1 765 154	1 623 135	
Less: Provision for Impairment		(1 764 874)	(1 621 785)	
Net Service Receivables		280	1 350	
Total Net Receivables from Non-Exchange Transactions		280	1 350	
<i>Ageing of Receivables from Non-Exchange Transactions</i>				
<i>(Rates): Ageing</i>				
Current (0 - 30 days)		-	-	
31 - 60 Days		13 876	-	
61 - 90 Days		12 263	-	
+ 90 Days		1 738 736	1 621 785	
Total		1 764 874	1 621 785	
<i>(Other Receivables): Ageing</i>				
Current (0 - 30 days)		280	1 350	
31 - 60 Days		-	-	
61 - 90 Days		-	-	
+ 90 Days		-	-	
Total		280	1 350	
<u>Summary of Receivables by Customer Classification</u>				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2013				
Total Receivables	4 384 762	22 930	150 073	4 557 766
Less: Provision for Impairment	(2 465 311)	-	-	(2 465 311)
Less: Provision for Impairment (VAT)	(212 197)	-	-	(212 197)
Total Recoverable debtors by customer classification	1 707 254	22 930	150 073	1 880 258
<u>Summary of Receivables by Customer Classification</u>				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2012				
Total Receivables	5 202 405	29 365	124 753	5 356 524
Less: Provision for Impairment	(3 016 001)	-	-	(3 016 001)
Less: Provision for Impairment (VAT)	(356 529)	-	-	(356 529)
Total Recoverable debtors by customer classification	1 829 875	29 365	124 753	1 983 994
<u>Receivables Impaired</u>				
2013		Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total		700 437	1 764 874	2 465 311
2012		Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total		1 394 216	1 621 785	3 016 001
Debts are required to be settled after 30 days, interest is charged on rates after this date at prime +1%.				
The fair value receivables approximates their carrying amounts.				
<u>Reconciliation of the Total doubtful debt provision</u>				
		2013 R	2012 R	
Balance at beginning of the year		3 372 530	7 513 142	
Contributions to provision		491 255	-	
VAT contribution to impairment provision		(144 332)	(183 700)	
Impairment written off against provision		(1 041 945)	(3 956 912)	
Balance at end of year		2 677 508	3 372 530	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Balance on 1 July	13 797	10 634
Operating Lease Asset for the current year	9 033	3 163
Balance previously reported		3 582
Operating Lease Asset previously year not recognised correctly - Note 34.01 and Note 34.04		(419)
Balance on 30 June	22 830	13 797

The municipality is leasing a piece of land to MTN for a period of 119 months with escalations of 10% per year.

The municipality is leasing a piece of land to Vodacom for a period of 119 months with escalations of CPI with a maximum of 10% per year.

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

	2013 R	2012 R
Up to 1 Year	419 070	280 246
2 to 5 Years	664 101	651 188
More than 5 Years	123 825	159 915
Total Operating Lease Arrangements	1 206 996	1 091 350

This lease income was determined from a contract that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The lease is in respect of land being leased by MTN until 2017.

The lease is in respect of land being leased by Vodacom until 2022.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

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CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	22 920 310	21 376 614
Primary Bank Account (Cash book)	283 182	225 652
Total Cash and Cash Equivalents - Assets	23 203 491	21 602 266

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R1 972 611 are held to fund the Unspent Conditional Grants (2012: R2 068 028).

Kareeberg Municipality do not have a bank overdraft facility.

The municipality has the following bank accounts:

Current Accounts

	2013 R	2012 R
Carnarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):	283 182	225 652
	283 182	225 652
Carnarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):		
Cash book balance at beginning of year	225 652	13 151
Cash book balance at end of year	283 182	225 652
Bank statement balance at beginning of year	613 214	1 027 539
Bank statement balance at end of year	3 038 252	613 214

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2013 R	2012 R
Call Investment Deposits					
Call investment deposits consist out of the following accounts:			Bank Certificates (excl. accruals)		
Account no.	Place of investment	Name of fund			
20-5772-3831	ABSA	Capital Replacement Reserve	11 347 812	11 347 812	11 347 812
92-0446-2639	ABSA	Housing Fund	35 702	35 726	120 895
90-7057-3646	ABSA	Job creation - De Buil	35 795	35 838	35 035
90-7553-5667	ABSA	Land development	15 478	15 497	15 225
90-7553-5714	ABSA	Land development	14 133	14 150	13 907
90-7091-9951	ABSA	Land development	27 254	27 254	27 227
08-870-543-9	STANDARD BANK	Civil Defence	17 875	17 891	17 446
91-1548-4469	ABSA	CMIP Kwaggakolk(VAT)	110 418	110 426	140 289
08-870-5536	STANDARD BANK	Sanitation Interest/VAT	1 406 237	1 406 237	1 477 022
91-1908-0801	ABSA	Electricity	32 783	32 785	32 752
91-6152-7986	ABSA	Water Services Plan	3 065	3 065	3 064
91-4181-7074	ABSA	CMIP-Saalpoort project 301	3 364	3 364	3 363
91-1908-0893	ABSA	EPWP - Paving/ Cleaning	22 162	22 163	22 141
91-0714-4855	ABSA	Lotto Camarvon	1 703	1 703	1 702
91-1003-7312	ABSA	Lotto Vosburg	30 016	30 018	29 988
91-3252-1989	ABSA	Transfer Fees Sub-Economic Housing	123 297	123 503	120 184
91-3945-6365	ABSA	VB Cleaning Project	23 962	23 964	23 940
91-5297-7293	ABSA	VAT - retention	11 120	11 120	11 109
92-1221-8064	ABSA	Youth Development	93 632	93 632	93 632
92-1221-8064	ABSA	Leave Fund	2 234 810	2 234 810	1 958 626
92-1221-8064	ABSA				
20-6873-9716	STANDARD BANK	Retension	563 246	563 246	299 232
92-1221-8064	ABSA	Provision for Employee benefits	4 000 000	4 000 000	3 000 000
92-1221-8064	ABSA	Reserves	352 116	352 116	352 116
92-1221-8064	ABSA				
08-871-0777	STANDARD BANK	General Account	2 413 989	2 413 989	2 231 906
			22 919 970	22 920 310	21 376 614

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property
State - National / Provincial Services

Less: Reductions
Less: Rebates

Total Assessment Rates

Valuations - 30 June 2013:

Rateable Land and Buildings

Residential & Commercial Property
State - National / Provincial Services

Total Assessment Rates

Valuations - 30 June 2013:

Residential
State
State: Agriculture
Agriculture
Municipal
Municipal: Agriculture
Schietfontein
Churches
Infrastructure
Public Benefit Organisations
Commonage
Commonage (rentals)
Commonage (Boschmansberg)
Agriculture (Dubble levy Camarvon)
Sport clubs

Total Property Valuations

2013
R

2012
R

5 256 857

6 041 668

5 512 390

5 361 981

744 467

679 687

(457 966)

(416 333)

(1 480 435)

(1 746 989)

4 318 456

3 878 347

1 543 556 950

1 543 556 950

1 512 229 550

1 512 229 550

31 327 400

31 327 400

1 543 556 950

1 543 556 950

Valuation

177 638 900
20 802 800
10 524 600
1 265 478 750
21 017 400
13 153 700
165 000
10 207 600
817 200
2 617 200
160 000
9 747 800
7 752 000
2 750 000
644 000

1 543 556 950

Assessment Rates are levied on the values of immovable properties. No supplementary roll was performed during 2012/13. The tariffs applicable are proclaimed by PK 33 dated 4 June 2012.

Rates are levied annually and are payable after due dates. Interest is levied on monthly and annually outstanding amounts at prime rate plus 1% after due dates.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

21	GOVERNMENT GRANTS AND SUBSIDIES	2013 R	2012 R
	Unconditional Grants	11 941 000	10 466 000
	Equitable Share - Refer to Note 21.01	11 941 000	10 466 000
	Conditional Grants	20 057 930	18 272 868
	Job Creation	-	11 948
	Water Assistance	692 356	639 879
	TV Fund	-	10 146
	CMIP Kwaggakolk (VAT)	30 000	-
	Municipal Systems Improvement Grant	765 422	1 116 915
	Sanitation - sewerage	70 785	1 453 779
	Library Development Projects	665 000	501 000
	Municipal Finance Management Grant	1 351 655	1 353 221
	Municipal Infrastructure Grant	8 457 968	6 931 076
	Housing 81 homes	1 343 122	2 381 969
	Kareeberg Festival	100 000	59 440
	Department of Economic Affairs - Fly-in	160 000	100 000
	Geotechnical Investigation	-	6 371
	Premier's Funds - Job Creation	-	325 000
	Expanded Public Works Program	6 421 620	3 382 125
	Total Government Grants and Subsidies	31 998 930	28 738 868
	Government Grants and Subsidies - Capital	14 437 056	10 088 203
	Government Grants and Subsidies - Operating	17 561 874	18 650 665
		31 998 930	28 738 868
	The municipality does not expect any significant changes to the level of grants.		
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	11 941 000	10 466 000
	Executive & Council	16 187 833	15 736 202
	Budget & Treasury	2 891 389	1 557 958
	Waste Water Management	326 236	326 236
	Water	326 236	326 236
	Electricity	326 236	326 236
		31 998 930	28 738 868
21.01	Equitable share		
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent households. All registered indigents receive 10kl free water and 50kwh electricity per month, which is funded from this grant.		
	All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R239 per month to R422 per month.(2012: R225 per month to R506 per month)		
	Grants received	11 941 000	10 466 000
	Conditions met	(11 941 000)	(10 466 000)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
21.02	Municipal Infrastructure Grant (MIG)		
	Grants received	9 574 000	7 892 000
	Conditions met	(1 116 032)	(960 924)
	Conditions met - Capital	(8 457 968)	(6 931 076)
	Conditions still to be met	-	-
	The grant was used to upgrade infrastructure in the Kareeberg areas.		
21.03	Local Government Financial Management Grant (FMG)		
	Grants received	1 500 000	1 450 000
	Conditions met	(1 500 000)	(1 420 789)
	Conditions met - Capital	-	(29 211)
	Conditions still to be met	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
21.04 Municipal Systems Improvement Grant		
Grants received	800 000	1 200 000
Conditions met	(800 000)	(1 193 872)
Conditions met - Capital	-	(6 328)
Conditions still to be met	-	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
21.05 Library Development Projects		
Grants received	665 000	501 000
Conditions met	(402 469)	(339 272)
Conditions met - Capital	(262 531)	(161 728)
Conditions still to be met	-	-
The grant was used for the development of libraries in the Kareeberg area.		
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
21.06 Youth Development		
Opening balance	93 632	-
Grants received	-	93 632
Conditions still to be met	93 632	93 632
The grant will be used for youth development related issues in the Kareeberg area.		
21.07 Kareeberg Festival		
Opening balance	-	59 413
Interest received	-	27
Grants received	100 000	-
Conditions met	(100 000)	(59 440)
Conditions still to be met	-	-
The grant was used for the Kareeberg Festival.		
21.08 Housing 01 homes		
Grants received	1 343 122	2 381 969
Conditions met	(1 343 122)	(2 381 969)
Conditions still to be met	-	-
The grant was used for a housing project in the Kareeberg area.		
21.09 Department of Economic Affairs - Fly-in		
Grants received	160 000	100 000
Conditions met	(160 000)	(100 000)
Conditions still to be met	-	-
The grant was used for a fly show in the Kareeberg area.		
21.10 Premier's Funds - Job Creation		
Grants received	-	325 000
Conditions met	-	(325 000)
Conditions still to be met	-	-
The grant was used for job creation in the Kareeberg area.		
21.11 Water Assistance		
Grants received	692 358	639 879
Conditions met	(380 720)	(639 879)
Conditions met - Capital	(311 638)	-
Conditions still to be met	-	-
The grant was used for water supply in the Kareeberg area. (Vanwyksvlei)		
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
21.12 Expanded Public Works Program		
Grants received	6 095 472	-
Conditions met	(1 228 516)	-
Conditions met - Capital	(4 866 955)	-
Conditions still to be met	-	-
The grant was used for infrastructure development in the Kareeberg area.		
21.13 Expanded Public Works Program (R1m)		
Grants received	1 000 000	3 755 965
Conditions met	(462 036)	(1 065 680)
Conditions met - Capital	(537 964)	(2 670 285)
Conditions still to be met	-	-
The grant was used for infrastructure development in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
		2013 R	2012 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
21.14	Job Creation De Bult		
	Opening balance	35 035	34 100
	Interest received	604	935
	Conditions still to be met	<u>35 638</u>	<u>35 035</u>
	The grant will be used for job creation in the Kareeberg area. (Cammarvon)		
21.15	Land Development		
	Opening balance	56 359	55 697
	Interest received	541	682
	Conditions still to be met	<u>56 900</u>	<u>56 359</u>
	The grant will be used for a land development plan in the Kareeberg area.		
21.16	Civil Defence		
	Opening balance	17 448	16 972
	Interest received	444	476
	Conditions still to be met	<u>17 891</u>	<u>17 448</u>
	The grant will be used for civil defence in the Kareeberg area.		
21.17	Job Creation		
	Opening balance	-	11 663
	Interest received	-	285
	Conditions met	-	<u>(11 948)</u>
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was used for job creation in the Kareeberg area.		
21.18	Geotechnical Investigation	R	R
	Opening balance	-	6 185
	Interest received	-	186
	Conditions met	-	<u>(6 371)</u>
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was used for a geotechnical investigation in the Kareeberg area. (Vanwyksvlei)		
21.19	TV Fund		
	Opening balance	-	10 138
	Interest received	-	8
	Conditions met	-	<u>(10 146)</u>
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was used for a TV Transmitter in the Kareeberg area. (Vanwyksvlei)		
21.20	CMIP Kwaggakolk (VAT)		
	Opening balance	140 289	140 148
	Interest received	138	141
	Conditions met	<u>(30 000)</u>	<u>-</u>
	Conditions still to be met	<u>110 426</u>	<u>140 289</u>
	The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)		
21.21	Sanitation - sewerage		
	Opening balance	1 477 022	2 930 801
	Conditions met	<u>(70 785)</u>	<u>(1 164 203)</u>
	Conditions met - Capital	-	<u>(289 576)</u>
	Conditions still to be met	<u>1 406 237</u>	<u>1 477 022</u>
	The grant was used for a sanitation development in the Kareeberg area.		
		2013 R	2012 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
21.22	Electricity		
	Opening balance	32 752	32 718
	Interest received	33	33
	Conditions still to be met	<u>32 785</u>	<u>32 752</u>
	The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)		
21.23	Water Service Plan		
	Opening balance	3 064	3 062
	Interest received	2	2
	Conditions still to be met	<u>3 065</u>	<u>3 064</u>
	The grant will be used for a water service plan in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
		2013 R	2012 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
21.24	CMIP - Saaipoort project 301		
	Opening balance	3 363	3 361
	Interest received	2	2
	Conditions still to be met	3 364	3 363
	The grant will be used for a bore hole water project in the Kareeberg area. (Carnarvon)		
21.25	Paving Projects		
	Opening balance	22 141	22 119
	Interest received	22	22
	Conditions still to be met	22 163	22 141
	The grant will be used for a extended public works program in the Kareeberg area.		
21.26	Lotto Carnarvon		
	Opening balance	1 702	1 701
	Interest received	1	1
	Conditions still to be met	1 703	1 702
	The grant will be used for Lotto projects in the Kareeberg area. (Erection of sport facilities)		
21.27	Lotto Vosburg		
	Opening balance	29 988	29 958
	Interest received	30	30
	Conditions still to be met	30 018	29 986
	The grant will be used for Lotto projects in the Kareeberg area. (Erection of sport facilities)		
		2013 R	2012 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
21.28	Transfer Fees Sub-Economic		
	Opening balance	120 184	116 394
	Interest received	3 319	3 790
	Conditions still to be met	123 503	120 184
	The grant will be used for transfer fees of sub-economic houses in the Kareeberg area.		
21.29	Cleaning Project Vosburg		
	Opening balance	23 940	23 916
	Interest received	24	24
	Conditions still to be met	23 964	23 940
	The grant will be used for a cleaning project in the Kareeberg area.		
21.30	VAT - Retention		
	Opening balance	11 109	11 098
	Interest received	11	11
	Conditions still to be met	11 120	11 109
	The grant will be used for VAT money in the Kareeberg area.		
21.31	Total Grants		
	Opening balance	2 066 028	3 509 447
	Interest received	5 389	6 632
	Grants received	33 870 852	28 805 445
	Conditions met	(19 534 681)	(20 165 293)
	Conditions met - Capital	(14 437 056)	(10 088 203)
	Conditions still to be met	1 972 611	2 068 028
		2013 R	2012 R
22	SERVICE CHARGES		
	Electricity	6 882 384	6 631 019
	Service Charges	6 882 384	6 631 019
	Water	3 624 406	3 386 634
	Service Charges	3 624 406	3 386 634
	Refuse removal	2 930 619	2 780 236
	Service Charges	2 930 619	2 780 236
	Sewerage and Sanitation Charges	2 234 499	2 058 501
	Service Charges	2 234 499	2 058 501
	Total Service Charges	15 671 908	14 856 392

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
23 OTHER REVENUE		
Application Specific Registrations	1 655	2 145
Sale of Sand	205	160
Building Fees	360	570
Photocopies	4 950	2 430
Grave Fees	5 515	7 465
Searching Fees	2 035	-
Administration costs	256 061	-
Encroachment	917	917
Cement block Sales	1 200	2 280
Pond Fees	4 015	3 510
Refuse Bags Sold	1 136	1 176
Connection Fees	200	310
Surplus Cash	-	6
Gain due to additions on Biological assets	45 150	26 450
Valuation Certificates	625	1 440
Grant VAT Income	1 972 807	1 514 628
Reversal of Impairment	67 900	-
Electricity caravan park	1 088	880
Total Other income	2 385 828	1 564 367
24 FAIR VALUE ADJUSTMENTS		
Unamortised Discount - Interest - LT Receivables	3 801	4 079
	3 801	4 079
25 EMPLOYEE RELATED COSTS		
Other Allowances	900	900
Salaries & Wages	9 712 483	8 570 226
Uniform Allowance	28 295	26 166
Leave Reserve Fund	378 802	251 588
Personnel Contributions	1 728 934	1 470 786
Skill Development Levy	128 135	115 941
Bargaining Council	5 901	4 018
Pension Gratification	444	444
UIF	70 998	68 513
Performance Bonuses	90 279	208 050
Contribution to Employee Benefits - Long Service Awards - Note 3	72 369	97 682
Contribution to Employee Benefits - Post Retirement Medical - Note 3	245 693	219 664
	12 463 236	11 033 999
<u>Less:</u> Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	12 463 236	11 033 999
KEY MANAGEMENT PERSONNEL		
Municipal Manger is appointed on a 4 1/2-year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager: Mr Z.E. Dingile (Acting since 1 June 2012 till 30 November 2012)</i>		
Salary, Leave and Performance Bonus	347 913	937 657
Travel Allowance	40 000	96 000
UIF	821	1 497
Cell phone (VAT Included)	10 000	24 000
Total	398 734	1 058 155
<i>Remuneration of the Municipal Manager: Mr W. de Bruin (Since 1 December 2012)</i>		
Salary, Leave and Performance Bonus	437 500	-
Bargaining Council	42	-
UIF	1 041	-
Total	438 583	-
<i>Remuneration of the Chief Finance Officer: Mr. P.B. Rossouw</i>		
Salary and Bonus, Performance Bonus	577 769	451 213
Travel Allowance	128 316	120 180
Pension	104 542	67 722
Medical	38 700	35 431
UIF	1 712	1 497
Bargaining Council	71	49
Cell phone (VAT Included)	18 000	18 000
Total	869 111	694 093
<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schalkwyk</i>		
Salary and Bonus, Performance Bonus	595 678	545 111
Travel Allowance	128 316	120 180
Pension	109 620	82 692
Medical	41 320	39 367
UIF	1 712	1 497
Bargaining Council	71	49
Cell phone (VAT Included)	24 000	24 000
Total	900 717	813 097
<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>		
Salary and Bonus, Performance Bonus	563 292	467 730
Travel Allowance	128 316	120 180
Pension	81 603	61 690
Medical	34 175	35 431
UIF	1 712	1 497
Bargaining Council	71	49
Cell phone (VAT Included)	18 000	18 000
Total	827 169	704 578

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26 REMUNERATION OF COUNCILLORS		
Mayor	604 480	572 948
Councillors	1 088 029	1 031 304
Councillors' Cell phones	91 871	83 407
Total Councillors' Remuneration	1 784 380	1 687 659
<i>In-kind Benefits</i>		
The Mayor is fulltime. He is provided with an office at the cost of the Council.		
27 DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 16	164 505	-
Receivables from non-exchange transactions - Note 17	326 750	-
Total Contribution to Impairment Provision	491 255	-
28 FINANCE CHARGES		
Post Retirement Charges	531 014	517 691
Rehabilitation Cost - Refuse Waste Disposal Sites	847 105	309 064
Total finance charges	1 378 120	826 755
29 BULK PURCHASES		
Electricity	7 035 969	6 283 489
Total Bulk Purchases	7 035 969	6 283 489
30 GRANTS AND SUBSIDIES		
Indigent Subsidies	7 408 903	7 436 334
Total Grants and Subsidies	7 408 903	7 436 334
31 OPERATING GRANT EXPENDITURE		
Operating grant expenditure per vote		
Executive & Council	5 620 874	8 184 665
General Expenses	5 620 874	8 184 665
32 GENERAL EXPENSES		
Audit Costs	1 261 944	1 012 125
Fuel & Oil	611 175	545 707
Subsistence and Travelling	570 314	490 679
Telephone & Postage	335 573	331 210
Bank charges	96 675	112 244
Electricity Eskom	200 354	201 535
Street Lighting	238 705	213 627
Animal Feeds	56 132	112 765
Advertisement, printing & stationary	138 136	138 182
Refuse bag purchases	111 600	96 432
Insurance	158 848	206 906
Other General Expenses	314 854	294 618
Housing Fund	86 420	-
Membership for associations	400 000	200 000
Chemicals	129 092	59 364
Special programmes	81 521	50 584
General Expenses	4 791 343	4 863 978
Other General Expenses include administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial Performance. This include items such as vehicle licenses, cleaning agents, valuation costs, refreshments, water services fees and workmen compensation.		
33 CHANGE IN ACCOUNTING POLICY		2012 R
33.01 Property, Plant and Equipment		
Balance reported in note 34.02		88 698 895
Transfer to Heritage Assets - previously disclosed as PPE - Note 33.02		(19 176)
Total		88 679 719
33.02 Heritage Assets		
Balance previously reported		-
Transfer from PPE - previously disclosed - Note 33.01		19 176
Total		19 176

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

34	CORRECTION OF ERROR IN TERMS OF GRAP 3		2012 R
34.01	Operating Lease Asset		
	Balance previously reported		14 216
	Transfer to Rental of Facilities and Equipment (Statement of Financial Performance) due to recalculation of Vodacom contract - Refer note 34.04 and 16		(419)
	Total		13 797
34.02	Property, Plant and Equipment		
	Balance previously reported		88 863 923
	First time recognition of Camarvon Erf 189 as PPE - Note 34.03		24 400
	Correction on calculation of accumulated depreciation as at 30 June 2011 - Note 34.03 and 10		6 242
	Correction on calculation of depreciation during 2011/12 - Note 34.04 and 10		4 170
	Correction on calculation of disposed depreciation during 2011/12 - Note 34.04 and 10		159
	Total		88 898 895
34.03	Accumulated Surplus/(Deficit)		
	Balance previously reported		95 297 681
	First time recognition of Camarvon Erf 189 as PPE - Note 34.02		24 400
	Correction on calculation of accumulated depreciation as at 30 June 2011 - Note 34.02 and 10		6 242
	Total		95 328 323
34.04	Statement of Financial Performance		
	Balance previously reported		8 091 711
	Correction on calculation of depreciation during 2011/12 - Note 34.02 and 10		4 170
	Transfer to Rental of Facilities and Equipment (Statement of Financial Performance) from Operating Lease Asset due to recalculation of Vodacom contract - Refer note 34.01 and 16		(419)
	Correction on calculation of disposed depreciation during 2011/12 - Note 34.02 and 10		159
	Total		8 095 621
35	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2013 R	2012 R
	Surplus for the year	11 443 100	8 095 621
	<u>Adjustments for:</u>		
	Depreciation	2 496 701	2 705 271
	Amortisation of Intangible Assets	65 113	67 203
	Capitalised Restoration Cost Impairment	(87 900)	48 502
	(Gain)/Loss on disposal of property, plant and equipment	33 933	80 942
	Contribution from/to employee benefits - non-current	849 076	835 037
	Contribution from/to employee benefits - non-current - expenditure incurred	(177 174)	(239 063)
	Contribution from/to employee benefits - non-current - actuarial losses	676 193	79 983
	Contribution from/to employee benefits - non-current - actuarial gains	-	(339 167)
	Contribution to employee benefits - current	485 466	479 201
	Contribution to employee benefits - current - expenditure incurred	(364 542)	(360 308)
	Contribution to provisions - non-current - Rehabilitation of Landfill-sites	847 106	309 064
	Contribution to provisions - bad debt	491 255	-
	Contribution to provisions - VAT Impairment	(144 332)	(183 700)
	Unamortised discount - Interest - Revenue	(3 801)	(4 079)
	Contributed PPE	-	(121 297)
	Bad debt written off	(1 041 945)	(3 956 912)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(95 416)	(1 441 419)
	Operating lease income accrued	(9 033)	(3 163)
	Operating Surplus/(Deficit) before changes in working capital	15 483 800	6 051 717
	Changes in working capital	563 514	4 500 387
	Increase/(Decrease) in Payables from exchange transactions	(23 047)	(24 807)
	(Increase)/Decrease in Trade Receivables from exchange transactions	726 580	3 594 199
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(142 019)	930 995
	Cash generated/(absorbed) by operations	16 027 314	10 552 104
36	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 19	22 920 310	21 376 614
	Bank - Note 19	283 182	225 652
	Total cash and cash equivalents	23 203 491	21 602 265
37	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 36	23 203 491	21 602 265
	Less:	23 203 491	21 602 265
	Unspent Committed Conditional Grants - Note 8	2 008 337	2 188 923
	Cash Portion of Housing Development Fund - Note 2	1 972 611	2 068 028
		35 726	120 895
	Net cash resources available for internal distribution	21 195 154	19 413 343
	Allocated to:		
	Capital Replacement Reserve	(11 347 812)	(11 347 812)
	Retention	(563 246)	(299 232)
	Provision for Employee benefits	(4 000 000)	(3 000 000)
	Reserves	(352 116)	(352 116)
	Staff Leave, Performance Management System, Long Service	(2 234 810)	(1 956 625)
	Resources available for working capital requirements	2 897 171	2 457 557

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

38.01 Unauthorised expenditure

Opening balance

Opening balance	-	-
Unauthorised expenditure current year - capital	4 880 441	319 275
Unauthorised expenditure current year - operating		60 185
Written off by council	(4 880 441)	(279 460)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	17 898 362	27 271 931	(9 373 549)	-
Budget & Treasury	7 449 002	6 440 608	1 008 194	1 008 194
Corporate Services	1 657 445	1 740 254	(82 609)	-
Health	10 887	21 232	(10 345)	-
Community & Social Services	974 850	965 250	(10 400)	-
Public Safety	84 938	121 471	(36 533)	-
Sport & Recreation	508 035	515 469	(7 454)	-
Waste Management	2 484 616	2 308 925	175 691	175 691
Waste Water Management	3 046 360	2 651 575	194 785	194 785
Road Transport	2 494 724	2 997 438	(502 714)	-
Water	775 025	858 255	(83 230)	-
Electricity	7 596 123	7 790 456	(194 333)	-
	44 980 366	53 903 064	(8 922 698)	1 378 669

	2013 R	2013 R	2013 R	2013 R
	(Actual)	(Budget)	(Variance)	{Unauthorised}
Budget & Treasury	13 853	-	13 853	13 853
Community & Social Services	262 531	-	262 531	262 531
Road Transport	12 746 834	6 474 000	4 272 834	4 272 834
Water	311 638	-	311 638	311 638
Electricity	1 119 585	1 100 000	19 585	19 585
	<u>14 454 441</u>	<u>9 574 000</u>	<u>4 880 441</u>	<u>4 880 441</u>

Opening balance

Fruitless and wasteful expenditure current year	-	-
Written off by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

Opening balance

Opening balance	-	-
Irregular expenditure - prior year identified in current year	-	1 889 096
Irregular expenditure current year	-	2 190 233
Condonement supported by council	-	(4 079 329)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
2012 - Franic Signs R19 992.75	None
2012 - Worley Parsons R872 483.12	None
2012 - LM Construction R400 000.00	None
2012 - Poort Beton R897 758.81	None
2011 - LM Construction R1 889 095.00	None

-	19 993
-	872 483
-	400 000
-	897 757
-	1 889 096
-	<u>4 079 329</u>

Electricity distribution losses

Units purchased (Kwh)	8 712 229	8 633 370
- Units lost during distribution (Kwh)	1 270 670	1 233 484
- Percentage lost during distribution	14.58%	14.29%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.01 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS

Council subscriptions	400 000	200 000
Amount paid - current year	(400 000)	(200 000)
Balance unpaid (included in creditors)	-	-

	2013 R	2012 R
39.02 <u>Audit fees - (MFMA 125 (1)(b))</u>		
Current year audit fee	1 261 944	1 012 125
External Audit - Auditor-General	1 261 944	1 012 125
Amount paid - current year	(1 261 944)	(1 012 125)
Balance unpaid (included in creditors)	-	-

39.03 VAT - (MFMA 125 (1)(b))

Opening balance	(967 792)	(883 990)
Amounts received - current year	3 046 449	2 530 770
Amounts claimed - current year (payable)	(3 912 387)	(3 498 562)
Amounts received - previous year	967 792	883 990
Closing balance	(865 938)	(967 792)
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		

39.04 PAYE, SDL and UIF - (MFMA 125 (1)(b))

Current year payroll deductions and Council Contributions	2 051 778	1 766 186
Amount paid - current year	(2 051 778)	(1 766 186)
Balance unpaid (included in creditors)	-	-

39.05 Pension and Medical Aid Deductions - (MFMA 125 (1)(b))

Current year payroll deductions and Council Contributions	2 943 146	2 630 413
Amount paid - current year	(2 943 146)	(2 630 413)
L.A. Health	(253 884)	(224 881)
Munimed	(12 920)	(29 346)
Cape Pension Fund	(458 744)	(346 353)
Hosmed	(675 750)	(683 124)
Cape Joint Retirement Fund	(1 128 852)	(971 960)
SAMWU Provident Fund	(412 996)	(374 730)
Balance unpaid (included in creditors)	-	-

39.06 Councillor's arrear consumer accounts - (MFMA 125 (1)(b))

The following Councillors had arrear accounts for more than 90 days as at 30 June 2013:

	2013 R Outstanding more than 90 days	2012 R Outstanding more than 90 days
None	-	-
Total Councillor Arrear Consumer Accounts	-	-

39.07 Quotations awarded - Section 45 - Supply Chain Management

Mr C van der Merwe - Chief Operations Manager's Wife - Brother-in-law	140 573	2 565 265
	140 573	2 565 265

39.08 Deviations - Section 36(2) - Supply Chain Management

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Sole provider	107 267	-	-	-
Emergency cases	33 392	44 745	-	-
Availability	320 053	80 695	-	-
Service provider	312 347	200 818	-	-
	773 059	326 258	-	-

40 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

Total

This expenditure will be financed from:

Government Grants

	2013 R	2012 R
Infrastructure	-	2 689 496
Total	-	2 689 496
	2013 R	2012 R
Government Grants	-	2 689 496
	-	2 689 496

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
41 FINANCIAL RISK MANAGEMENT		
<p>The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.</p>		
(a) Foreign Exchange Currency Risk		
<p>The municipality does not engage in foreign currency transactions.</p>		
(b) Price risk		
<p>The municipality is not exposed to price risk.</p>		
(c) Interest Rate Risk		
<p>As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.</p>		
<p>The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.</p>		
<p>The municipality did not hedge against any interest rate risks during the current year.</p>		
<p>The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:</p>		
0.5% Increase in interest rates	116 017	108 011
0.5% Decrease in interest rates	(116 017)	(108 011)
(d) Credit Risk		
<p>Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.</p>		
<p>Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</p>		
<p>Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p>		
<p>All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.</p>		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables</u>				
Rates	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Electricity	0.00%	-	0.00%	-
Water	0.00%	-	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	0.00%	-	0.00%	-
Other	0.00%	-	0.00%	-
	0.00%	0	0.00%	0

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 16 & 17 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	1 764 874	100.00%	1 621 785
<u>Exchange Receivables</u>				
Electricity	23.65%	165 622	23.50%	327 612
Water	15.77%	110 453	5.87%	81 683
Refuse	18.38%	128 707	17.70%	246 827
Sewerage	17.09%	119 723	7.70%	107 354
Other	25.12%	175 932	45.23%	630 541
	100.00%	700 437	100%	1 394 216

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2013 %	2013 R	2012 %	2012 R
Government	0.00%	-	0.00%	-
Industrial	1.65%	40 691	1.58%	47 619
Residential	98.23%	2 421 562	98.09%	2 958 305
Indigents	0.12%	3 059	0.33%	10 078
	100.00%	2 465 311	100%	3 016 001
	2013 %	2013 R	2012 %	2012 R

Bad debts written off per debtor class:

<u>Non-Exchange Receivables</u>				
Rates	100.00%	183 661	0.00%	-
<u>Exchange Receivables</u>				
Services	100.00%	858 284	89.43%	3 498 997
Other	0.00%	-	11.57%	457 916
	100.00%	858 284	100.00%	3 956 912

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2013 R	2012 R
Long term receivables	60 604	66 048
Trade receivables and other receivables	2 092 455	1 983 984
Cash and Cash Equivalents	23 203 491	21 602 265
	25 356 551	23 652 307

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

2013

R

2012

R

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Provisions - Landfill Sites	-	-	2 011 181	13 169 079
Capital repayments	-	-	1 458 202	5 679 248
Interest	-	-	552 979	7 289 831
Trade and Other Payables	854 155	-	-	-
Consumer Deposits	284 119	-	-	-
Unspent conditional government grants and receipts	1 972 611	-	-	-
	3 110 886	-	2 011 181	13 169 079
2012				
Provisions - Landfill Sites	-	1 029 714	-	17 515 513
Capital repayments	-	817 420	-	5 672 924
Interest	-	212 294	-	11 842 589
Trade and Other Payables	877 202	-	-	-
Consumer Deposits	288 759	-	-	-
Unspent conditional government grants and receipts	2 068 028	-	-	-
	3 213 988.82	1 029 714	-	17 515 513

42

FINANCIAL INSTRUMENTS

2013

R

2012

R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

42.1

Financial Assets

Classification

Long-term Receivables

Staff Loans

Consumer Debtors

Trade receivables from exchange transactions

Other receivables from exchange transactions

Current Portion of Long-term Receivables

Staff Loans

Short-term Investment Deposits

Call Deposits

Bank Balances and Cash

Bank Balances

Financial instruments at amortised cost

Financial instruments at amortised cost

Financial instruments at amortised cost

Financial instruments at amortised cost

Financial instruments at amortised cost

68 508

77 921

1 605 762

2 093 966

1 399 048

1 639 423

9 413

9 045

22 920 310

21 376 614

283 182

225 652

26 286 223

25 422 621

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost

26 286 223

25 422 621

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
42	FINANCIAL INSTRUMENTS (CONTINUE)			
42.2	<u>Financial Liability</u>	<u>Classification</u>		
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	666 515	705 466
	Payments received in advance	Financial instruments at amortised cost	185 495	169 655
	Unspent Conditional Grants and Receipts			
	Other Spheres of Government	Financial instruments at amortised cost	1 972 611	2 068 028
			<u>2 824 622</u>	<u>2 943 148</u>
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		<u>2 824 622</u>	<u>2 943 148</u>

43 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 30 June 2013

44 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

45 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

46 CONTINGENT LIABILITY

The Kareeberg Ratepayers association lodged an application to the High Court for the dismissal of the Municipal Manager alleged that the Council did not follow correct procedures and he is not competent according to Regulations.

47 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

47.1 Related Party Transactions

	Rates - Levied 1 July 2012 - 30 June 2013	Service Charges - Levied 1 July 2012 - 30 June 2013	Other - Levied 1 July 2012 - 30 June 2013	Outstanding Balances 30 June 2013
Year ended 30 June 2013				
Councillors	12 349	22 040	-	3 777
Municipal Manager and Section 56 Employees	13 853	28 037	-	13 915

The rates, service charges and other charges are in accordance with approved tariffs. No impairment expenses have been recognised in respect of amounts owed by related parties.

47.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

47.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.

47.4 Other related party transactions

	2013 R	2012 R
The following purchases were made during the year where Councillors or Management have an interest:		
<u>Councillor/Staff Member</u>		
Mr C van der Merwe - Chief Operations Manager Wife's - Brother-in-law	140 573	2 566 265
	<u>140 573</u>	<u>2 566 265</u>

FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio increased to 5.47:1 from 5.18:1 in the prior year.

The municipality have budgeted for a surplus of R8 274 000 for the 2012/2013 financial year. The municipality is also budgeting for negative cash flows during 2013/2014 and 2014/2015 amounting to R7 499 000 and R7 483 000 respectively.

The average debtors' payment days decreased to 84 days from 100 days.

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 46

APPENDIX A - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
9 745	(140 381)	(130 636)	Cemetery	6 715	(146 591)	(139 876)
1 376	(786 263)	(784 887)	Library	1 471	(791 575)	(790 104)
-	(119 892)	(119 892)	Museum	-	(36 684)	(36 684)
-	(1 391 790)	(1 391 790)	Corporate Services	-	(1 657 445)	(1 657 445)
6 957 425	(134 451)	6 822 974	Electricity Administration	7 208 750	(163 432)	7 045 318
-	(6 652 258)	(6 652 258)	Electricity Generation	-	(7 551 602)	(7 551 602)
-	(399 464)	(399 464)	Electricity Distribution	-	(380 138)	(380 138)
27 276 997	(19 814 629)	7 462 368	General Expenditure of Council	29 356 410	(17 898 382)	11 458 028
2 760	(1 879)	881	Official Housing	2 880	(1 231)	1 649
5 436 305	-	5 436 305	Property Rates	7 209 845	-	7 209 845
469 884	(75 055)	394 829	Commonage	444 565	(59 252)	385 312
22 719	(220 584)	(197 865)	Municipal Buildings	22 884	(166 840)	(143 956)
2 196 067	(5 481 611)	(3 285 544)	Municipal Manager/Treasurer	2 652 046	(8 307 495)	(5 655 449)
-	(955)	(955)	Health Service	-	(4 364)	(4 364)
-	(35 729)	(35 729)	Nursing Service	-	(6 523)	(6 523)
-	(46 440)	(46 440)	Air Port	-	(45 532)	(45 532)
-	(24)	(24)	Abattoir	-	(29)	(29)
-	(15 533)	(15 533)	Fire Department	-	(16 995)	(16 995)
-	(28 502)	(28 502)	Civil Protection	-	(12 047)	(12 047)
3 510	(39 858)	(36 348)	Pound	4 015	(55 896)	(51 881)
570	(1 616 521)	(1 615 951)	Public Works	360	(2 134 056)	(2 133 696)
-	(928 886)	(928 886)	Streets & Pavements	-	(661 658)	(661 658)
5 450	(162 797)	(157 347)	Licensing & Traffic	4 500	(138 782)	(134 282)
26 450	(205 479)	(179 029)	Nature Reserve	45 150	(129 092)	(83 942)
-	(355 947)	(355 947)	Parks & Open areas	-	(309 194)	(309 194)
15 040	(103 491)	(88 451)	Swimming Pool	14 126	(65 004)	(50 878)
6 720	(13 216)	(6 496)	Caravan Park	6 568	(4 746)	1 821
2 781 414	(2 636 815)	144 599	Refuse	2 931 754	(2 484 616)	447 139
2 384 737	(2 507 446)	(122 709)	Sewerage & Cleansing	2 560 735	(3 051 805)	(491 070)
-	(369 410)	(369 410)	Water Distribution	-	(299 336)	(299 336)
3 713 010	(896 814)	2 816 196	Water Provision	3 950 712	(482 123)	3 468 589
51 310 179	(45 182 121)	6 128 059	Sub Total	56 423 486	(47 062 463)	9 361 022
-	1 963 652	1 963 652	Less Inter-Departmental Charges	-	2 082 077	2 082 077
51 310 179	(43 218 469)	8 091 711	Total	56 423 486	(44 980 386)	11 443 100

APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
27 276 996.75	(19 814 629)	7 462 368	Executive & Council	29 356 410	(17 898 382)	11 458 028
8 127 735.27	(5 825 593)	2 302 142	Budget & Treasury	10 332 220	(8 580 379)	1 751 841
-	(1 391 790)	(1 391 790)	Corporate Services	-	(1 657 445)	(1 657 445)
-	(36 684)	(36 684)	Health	-	(10 887)	(10 887)
11 121.20	(1 046 537)	(1 035 415)	Community & Social Services	8 186	(974 850)	(966 664)
3 510.00	(83 894)	(80 384)	Public Safety	4 015	(84 938)	(80 923)
48 210.00	(678 133)	(629 923)	Sport & Recreation	65 844	(508 035)	(442 192)
2 781 413.74	(2 636 815)	144 599	Waste Management	2 931 754	(2 484 616)	447 139
2 384 737.15	(2 507 446)	(122 709)	Waste Water Management	2 560 735	(3 051 805)	(491 070)
6 020.00	(2 708 204)	(2 702 184)	Road Transport	4 860	(2 934 496)	(2 929 636)
3 713 009.93	(1 266 223)	2 446 787	Water	3 950 712	(781 459)	3 169 253
6 957 425.31	(7 186 173)	(228 747)	Electricity	7 208 750	(8 095 172)	(886 422)
51 310 179	(45 182 121)	6 128 059	Sub Total	56 423 486	(47 062 463)	9 361 022
-	1 963 652	1 963 652	Less Inter-Departmental Charges	-	2 082 077	2 082 077
51 310 179	(43 218 469)	8 091 711	Total	56 423 486	(44 980 386)	11 443 100

APPENDIX C - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2012	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2013
	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS						
Job Creation De Built	35 035	804	-	-	-	35 838
Land Development	56 359	541	-	-	-	56 900
Civil Defence	17 448	444	-	-	-	17 891
CMIP Kwaggakolk (VAT)	140 289	138	-	30 000	-	110 426
Municipal Systems Improvement Grant	-	-	800 000	800 000	-	-
Sanitation - sewerage	1 477 022	-	-	70 785	-	1 406 237
Electricity	32 752	33	-	-	-	32 785
Water Service Plan	3 064	2	-	-	-	3 065
CMIP - Saaiport project 301	3 363	2	-	-	-	3 364
Library Development Projects	-	-	665 000	402 469	262 531	-
Paving Projects	22 141	22	-	-	-	22 163
Lotto Carnarvon	1 702	1	-	-	-	1 703
Lotto Vosburg	29 988	30	-	-	-	30 018
Municipal Finance Management Grant	-	-	1 500 000	1 500 000	-	-
Transfer Fees Sub-Economic	120 184	3 319	-	-	-	123 503
Cleaning Project Vosburg	23 940	24	-	-	-	23 964
Vanwyksvlei Drought Relief Fund	-	-	-	-	-	-
VAT - Retention	11 109	11	-	-	-	11 120
Municipal Infrastructure Grant	-	-	9 574 000	1 116 032	8 457 968	-
Youth Development	93 632	-	-	-	-	93 632
Kareeberg Festival	-	-	100 000	100 000	-	-
Housing 81 homes	-	-	1 343 122	1 343 122	-	-
Department of Economic Affairs - Fly-in	-	-	160 000	160 000	-	-
Water Assistance	-	-	692 358	380 720	311 638	-
Expanded Public Works Program	-	-	6 095 472	1 228 516	4 866 955	-
Expanded Public Works Program (R1m)	-	-	1 000 000	462 036	537 964	-
Total	2 068 028	5 369	21 929 952	7 593 681	14 437 066	1 972 611